

Message Text

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ACTION AID-31

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TAGS: EAID EAGR BG
SUBJECT: FY 77 AND FY 78 PL-480 TITLE I AGREEMENTS -- BDG
RESPONSE TO MISSION INQUIRIES CONCERNING COMPLIANCE: SECOND
AMENDMENT

REFS: A. DACCA 1638, B. DACCA 1646, C. DACCA 1705, D. DACCA 1749
E. STATE 073693

1. FOLLOWING IS TEXT OF LETTER DATED MARCH 31, 1978, FROM
A.M.A. MUHITH, BDG SECRETARY, EXTERNAL RESOURCES DIVISION,
MINISTRY OF PLANNING, RESPONDING TO MARCH 16 LETTER FROM
USAID DIRECTOR TONER. TONER'S LETTER (REF C) RAISED
QUESTIONS CONCERNING BDG'S IMPLEMENTATION OF FY 77 AND FY 78
PL-480 TITLE I AGREEMENTS. MISSION'S COMMENTS FOLLOW BY SEPTTEL.

2. BEGIN TEXT: KINDLY REFER TO YOUR LETTER OF MARCH 16 COVER-
ING VARIOUS ISSUES ON FOOD DISTRIBUTION AND PROCUREMENT. THE
STATED OBJECTIVE OF THE GOVERNMENT IN THE FILED OF PROCURE-
MENT HAS BEEN MAINTENANCE OF A MINIMUM PRICE AS AN INCEN-
TIVE TO FARMERS. THERE IS NO DEPARTURE FROM THIS POLICY.
IN FACT, IT IS BEING PURSUED WITH GREATER INTEREST. THE
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PROCUREMENT APPARATUS IS FULLY GEARED TO LIFT HYV BORO
RICE AND WHEAT IN THE TARGETED QUANTITIES. IN VIEW,
HOWEVER, OF THE RISING PRICE TREND, THE FOOD MINISTRY
FORECASTS THAT ONLY LIMITED QUANTITIES WILL BE AVAILABLE
FOR PROCUREMENT AT THE PRICE OFFERED BY THE GOVERNMENT.
THE BASIC POLICY OF PROCURING WHATEVER QUANTITIES ARE
AVAILABLE AT THE DECLARED PRICE SUPPORTED BY A DECENT-

TRALIZED PROCUREMENT MACHINERY REMAINS VALID. IN THE FIELD OF DISTRIBUTION, THE OBJECTIVE OF THE GOVERNMENT IS TO PROVIDE FOR A GRADUAL SHIFT IN FAVOR OF THE POORER SECTIONS OF THE COMMUNITY THROUGH THE PUBLIC DISTRIBUTION SYSTEM. THERE IS THE OTHER OBJECTIVE OF REDUCING SUBSIDY AND THAT IS TO BE ACHIEVED THROUGH INCREASE IN ISSUE PRICE AS WELL AS REDUCTION IN THE OFFTAKE OF RICE UNDER THE PUBLIC DISTRIBUTION SYSTEM. WHEAT/RICE RATIO IN THE STATUTORY RATIONING AREAS HAS BEEN FIXED AT 1:1 WITH EFFECT FROM THE 1ST OF JANUARY 1978. DUE TO STABLE RICE PRICE IN THE MARKET MANY CARD HOLDERS PREFER BUYING PART OF THEIR REQUIREMENT IN THE FORM OF RICE FROM THE OPEN MARKET INSTEAD OF LIFTING THE FULL PERMISSIBLE WHEAT QUOTA FROM THE RATION SHIPS. AS A RESULT, IN THE STATUTORY RATIONING AREAS WHILE FULL QUOTA OF RICE HAS BEEN LIFTED, IT HAS NOT HAPPENED IN THE CASE OF WHEAT QUOTA. THE GOVERNMENT DECIDED TO MAKE THE HIGHER INCOME GROUP INELIGIBLE FOR THE STATUTORY RATIONING SYSTEM AND MOVE THEM TO ESSENTIAL SUPPLY SHOPS WHERE FOODGRAIN WILL BE SOLD AT A HIGHER PRICE. IT WAS INDICATED THAT COMPLETION OF THE LIST OF INELIGIBLES AND INTRODUCTION OF THE NEW SYSTEM WOULD TAKE SOME TIME. ACCORDINGLY, THE PROCESS WAS STARTED AND A LOT OF ADMINISTRATIVE AND LEGAL DIFFICULTIES CROPPED UP. IN COLLECTING INFORMATION ON FAMILY INCOME IT APPEARED THAT NO WORKABLE

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INDEX WAS AVAILABLE EXCEPT FOR THE FIXED SALARIED GROUPS. THE INSTITUTION OF JOINT FAMILY HAS ALSO CREATED PROBLEMS. IT HAS BECOME NECESSARY, THEREFORE, TO CARRY OUT A RATHER LENGTHY EXERCISE AND IT APPEARS THAT THE ORIGINAL TIMETABLE IS NOT PRACTICABLE. SHORTLY WE SHOULD BE FIRING UP A NEW TIMETABLE FOR INTRODUCTION OF THE PROPOSED MEASURES. IT WOULD BE INAPPROPRIATE TO INTRODUCE THEM RIGHT NOW AS PRICE TREND IS ON THE INCREASE. I MAY, HOWEVER, POINT OUT THAT DURING THE INTERIM PERIOD WE HAVE ALREADY ELIMINATED 96,000 RATION CARDS IN THE STATUTORY RATIONING AREA. ISSUE OF NEW RATION CARDS HAS ALSO BEEN SEVERELY RESTRICTED. WHILE URBAN POPULATION IS INCREASING AT 8 PERCENT PER ANNUM IN THE RECENT PAST ISSUE OF NEW RATION CARDS HAS BEEN AT THE RATE OF 1 PERCENT ONLY. THIS REPRESENTS A CALCULATED SHIFT IN FAVOR OF THE OPEN MARKET AND ACTS AS DETERRENT AGAINST UNWANTED MIGRATION TO THE URBAN AREAS. IT SHOULD ALSO BE NOTED THAT INCREASINGLY MORE FOODGRAINS ARE BEING ISSUED IN THE PUBLIC DISTRIBUTION SYSTEM IN THE RURAL AREAS. THE RATIONALIZATION OF THE FOOD DISTRIBUTION SYSTEM SHOULD BE VIEWED AS A PACKAGE AND IT SHOULD BE JUDGED ON THE BASIS OF OVERALL IMPACT ON THE FLOW OF

SERVICES TO THE DIFFERENT INCOME GROUPS AND ALLOCATION BETWEEN THE URBAN AND THE RURAL AREAS. THE PRESS NOTE OF MARCH 16 WAS ISSUED TO DISPEL SOME MISGIVINGS THAT FOOD DISTRIBUTION IN THE URBAN AREAS WAS BEING RADICALLY CHANGED OVERNIGHT WHICH WOULD HAVE A DESTABILIZING IMPACT ON THE TREND OF FOODGRAIN PRICE. FOOD BEING SENSITIVE AND HIGHLY PREDOMINANT IN THE TYPICAL FAMILY BUDGETS, ACCOMMODATION OF SOME SHORT-TERM PRIORITIES IN ITS LONGER TERM PLANNING IS IMPORTANT. AS TO THE QUESTION OF ISSUING SIX RATION CARDS PER FAMILY, I AMY STATETHAT THE POLICY IS BEING FOLLOWED FOR QUITE SOME TIME. AT PRESENT, 80 PERCENT OF RATION CARD HOLDERS IN THE STATUTORY RATIONING AREAS ARE AFFECTED BY THIS POLICY. THE POSITION HAS ALREADY BEEN DISCUSSED WITH YOU BY UNCLASSIFIED

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SECRETARY, FOOD AND MR. MAJID OF EXTERNAL RESOURCES DIVISION. BESIDES ISSUES OF FOOD POLICY ARE ALWAYS UNDER DISCUSSION WITH YOU. I HOPE THIS LETTER WILL FINALLY CLARIFY ALL THE ISSUES. I WOULD LIKE TO EMPHASIZE THAT OUR PLANNING OF FOOD IMPORTS IS BASED ON THE ASSUMPTION THAT 100,000 TONS OF FOODGRAINS UNDER PL-480 TITLE I WOULD ARRIVE IN BANGLADESH BY JUNE. EVEN WITH BETTER PERFORMANCE ON PROCUREMENT BECAUSE OF INCREASE IN OFFTAKE WE WOULD HAVE A YEAR END STOCK OF LESS THAN 800,000 TONS. IF BECAUSE OF DELAY INNEGOTIATION, 100,000 TONS OF PL-480 FOODGRAINS DO NOT ARRIVE BY JNE THE STOCK POSITION AT THE BEGINNING OF THE LEAN SEASON WOULD BE EVEN WORSE. I AM SURE YOU WILL AGREE THAT WE SHOULDN'T ALLOW SUCH A SITUATION TO DEVELOP AS IT DID LAST YEAR. I WOULD, THEREFORE, REQUEST YOU TO COMPLETE NEGOTIATIONS FOR THE SECOND LOT OF PL-480 TITLE I SUPPLIES IMMEDIATELY. IN THIS NEGOTIATION IS ALSO INCLUDED SHIPMENT OF SOYBEAN OIL. IT IS NECESSARY THAT THIS COMMODITY ALSO MOVES FAST; OTHERWISE IT WILL BE DIFFICULT TO HLD THE ALREADY DISTURBED PRICE LINE. I LOOK FORWARD TO OUR DISCUSSIONS IN THE NEAR FUTURE ON PL-480 TITLE III PROGRAM WHICH IS OF GREAT INTEREST TO US. I BELIEVE AT THIS MEETING WE CAN JOINTLY EXPLORE A NUMBER OF BROAD POLICYISSUES RELATING TO FOOD DISTRIBUTION. WE BELIEVE, AS YOU DO, THAT ALL STEPS SHOULD BE TAKEN TO FACILITATE FOOD DISTRIBUTION ON THE BASIS OF EQUITY AND REASONABLE PRICE TO ALL ELEMENTS OF OUR ECONOMICALLY DISADVANTAGED POPULATION. I EXPECT TO WRITE TO YOU AGAIN SHORTLY CLARIFYING THE POSITION ON PROCUREMENT OF COTTON WHICH WAS ALSO RAISED IN YOUR LETTER UNDER REFERENCE. WITH REGARDS. (S) A.M.A. MUHITH. END TEXT. SCHNEIDER

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Message Attributes

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